FLA LENDING CODE 2021

SETTING STANDARDS, CREATING TRANSPARENCY

WHAT WOULD YOU LIKE TO KNOW?

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How the Lending Code ensures you receive **fair treatment** — VIEW HERE

Frequently asked questions (FAQs) about the Lending Code — VIEW HERE

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THE CODE

WHO IS THIS CODE FOR?

This Code is for customers who have taken out, or are considering taking out, a consumer credit loan or second charge mortgage with an FLA member. It sets out standards of good practice in consumer lending and summarises how customers can expect to be treated by FLA members. The Code reflects the rights and standards you are entitled to under the law, as well as additional commitments which FLA members offer voluntarily, as good practice.

This edition of the Lending Code replaces the 2019 edition. It covers all consumer credit, hire or lease agreements and second-charge mortgages entered into on or after 1 June 2021. Agreements taken out before 1 June 2021 will be covered by the relevant version of the Code which was in place at the time.

Loans covered by the Code include:

- store cards and credit cards;
- personal loans;
- second charge mortgages;
- revolving credit loans - including catalogue shopping;
- motor loans – including loan, hire purchase, lease, personal contract purchase or any other variation; and
- loans to pay insurance premiums.

The Code also covers insurance which a consumer may have taken out to pay off some or all of a loan (known as payment protection insurance (PPI) and guaranteed asset protection insurance (GAP)).

The Code does not cover lending to businesses, which is covered by the FLA's *Business Finance Code* (available from the FLA – see 'Helpful Information', Section 4).

There is a Jargon Buster at the back of the Code (section 3) which should help explain some of the words used in the Code.

In the Code, 'you' means the customer and 'we' means the FLA member with which you have taken out your loan.

Throughout the Code, where we refer to 'loans' this includes any type of credit, hire or lease agreement, or second-charge mortgage (unless specifically excluded).

About the FLA

The Finance & Leasing Association is the leading trade body for the asset, consumer and motor finance sectors in the UK. FLA members include banks, subsidiaries of banks, the finance sections of leading retailers and manufacturing companies, and a range of independent firms. The types of finance they provide include credit cards and store cards, personal loans, second charge mortgages and motor finance.

The FLA Lending Code 2021 is intended to reassure you that you may buy with confidence from firms which are full members of the FLA. We will meet the standards set out in this Code, and the FLA will monitor our performance in doing so (see section 1G). You can find copies of the Code on the FLA's website CLICK TO VIEW.

Consumer Protections

The legal and regulatory framework, in particular the Consumer Credit Act 1974 (as amended) and the Financial Services and Markets Act 2000, gives you a number of specific rights and protections when taking out consumer credit or mortgage finance. The Financial Conduct Authority regulates the consumer credit, mortgage and insurance markets and sets out further rights and protections in its Handbook. These cover:

- advertising;
- information before you sign an agreement;
- the content of agreements;
- what happens if you wish to pay your loan off early (settling); and
- what happens if you get into difficulty repaying your loan and get into debt.

Other rights cover loans which you may take out over the phone or on the internet (this is known as distance selling) and the fairness of contracts, which is covered by the Consumer Rights Act 2015.

You can get more details from the Consumer Rights webpage CLICK TO VIEW and from the Financial Conduct Authority CLICK TO VIEW.

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OTHER IMPORTANT INFORMATION

Was your **finance agreement** arranged through a supplier of goods or services, for instance a shop, click here

Was your **finance agreement** arranged through a credit broker, click here

2C. STORE CARDS AND CREDIT CARDS

This section applies to if your loan agreement is for a store card or credit card.

Definitions

2C.1 A store card is, for example, a card associated with a shop or group of shops under the same ownership which does not bear any of the words MasterCard, Visa, or American Express. A credit card may be a card which is branded with a particular store but which may be used elsewhere, and which bears any of the words MasterCard or Visa.

Sale of store cards

2C.2 No individual sales staff will directly benefit from offering or selling store cards. This will ensure that all applications are dealt with impartially.

2C.3 You will not be offered a retail discount or other equivalent benefit (for example, free gifts, credits or discount vouchers) which is redeemable on the initial purchase or within the first seven days as an incentive to take out a store card. New store cards will be promoted using the credit features and on-going benefits of the account (such as the ability to collect loyalty points and obtain discounts or special offers on future purchases).

2C.4 Staff providing store cards will go through a standard good practice training scheme so that you will benefit from consistent good service when applying for a store card.

Information to be provided pre-sale

2C.5 Before you enter into an agreement for a store card or credit card, we will provide a 'summary box', in writing, which outlines the main features of the product (Annual Percentage Rate (APR) and other rates (including introductory rates), interest free periods, minimum payments, yearly fees and other fees) in either your application form or other documents. You can find out more about the summary box in Section 4.

2C.6 Before you enter into a credit agreement for a store card or credit card, we will also provide you with information on the following:

- if we want to use any information about transactions on your store card or credit card account for marketing purposes;
- how interest is calculated and charged, for example, if it is charged on the full balance on your statement or only on the balance after you have made your monthly repayment;
- the interest rates applicable to different types of transactions and how you will be told about changes in interest rates;
- how your monthly payment will be applied to any outstanding balance due to different types of spending on your card, such as on promotional offers;
- the difference between being the principal cardholder and an additional cardholder and that the principal cardholder will be responsible for all spending (including by additional cardholders) and is responsible for making the repayments on the card;
- an explanation of recurring transactions; and
- how to make sure you pay on time if you are sending a cheque in the post or by making automated payments.

Making repayments

2C.7 When you make repayments on your store card or credit card, we will apply your repayments to the most expensive parts of the store card or credit card balance first. When allocating your repayments, we will apply them to, at least, the transactions on your statement.

2C.8 If you have a fixed sum credit agreement within your store card or credit card, the payments on this plan will be paid off first. Any extra payment you make will then repay the amounts on your statement with the highest interest rate first.

Minimum repayments

2C.9 The minimum amount you will have to pay back each month will always cover at least:

- 1% of the amount outstanding on your statement less the current month's interest and fees (but not fees for services such as balance transfers or cash advances);
- the amount of the interest set out on the statement;
- any default fees or charges; and
- any annual fee which may be charged (whether as a single sum, in 12 equal instalments or another method).

We will contact you if you have, without good reason, made frequent minimum or low repayments.

Credit limit changes

2C.10 At any time, you may:

- ask for a lower credit limit;
- refuse any credit limit increase we may offer to you;
- tell us that you do not want to have a credit limit increase at all in the future; and
- ask for a credit limit increase.

If you exercise any of these rights, it will not prevent you from asking for a credit limit increase at a later date.

2C.11 If you want to ask for a lower credit limit or refuse a credit limit increase, we will make it as easy as possible for you to do so by offering you automated forms of communication (such as online or an automated telephone system), or you can speak to us direct.

2C.12 Before making any significant increases to your credit limit on your store card or credit card, we will undertake a sound and proper credit assessment in the ways outlined in section 1D.2.

2C.13 If we want to increase your credit limit and you have not asked us for this, we will always give you at least 30 days' notice of this increase. We will send this notice to you separately from your statement and it will include the following information:

- the current credit limit;
- the new increased credit limit;
- that you have the right to reject the credit limit increase and how you can do this; and
- that we will not treat you any differently if you decide to reject the credit limit increase.

If you need a temporary or emergency credit limit increase, we will not give you this notice.

2C.14 From time to time, we will review your credit limit using, for example, credit reference agency (CRA) data and information we have on how you have managed your account. If we reduce your credit limit, we will notify you and let you know how you can contact us if you want to discuss any concerns you may have about your store card or credit card.

Credit Limit increases

New Customers

2C.15 When you take out a new credit card or store card agreement with us, we will explain how we will inform you if we propose to increase your credit limit in the future. We will also explain that you will be able to choose how you wish to respond to an offer to increase your credit limit: you may prefer that we only apply the credit limit once you have taken action to activate it (opt-in) or you may prefer to allow us to apply a credit limit increase to your account automatically unless you reject it (opt-out). If you do not make a choice, we will only increase your credit limit if you take action to activate it (opt-in). You will be given clear and consistent information which will set out why you are being asked to make this choice, what it means in practice and that you can change your mind at any time.

Existing customers

2C.16 If we offer you a credit limit increase, we will explain how you can either decline or accept this increase and we will also explain that you have a right to choose not to receive any future offers from us. If you choose to receive offers of credit limit increases from us in the future, you can decide whether these will only be applied if you activate them (opt-in) or unless you take action to reject them (opt-out). We will also explain the potential benefits and risks of credit limit increases.

Selecting accounts for a credit limit increase

2C.17 When deciding whether to offer a credit limit increase, we will take account of your repayment record. We will not offer you a credit limit increase if you have been in persistent debt for a period of 12 months, you are two or more payments in arrears on a credit agreement or your account has been subject to any form of forbearance by us in the last 6 months.

2C.18 You will still be able to request a credit limit increase at any time and we will consider this in line with our credit assessment procedures.

Automated payments

2C.19 We will provide you with online capability to set up an automated payment (which is not lower than the minimum payment and not higher than the full payment) to reduce what you owe. For example, you could send this instruction by email if we have already agreed to receive instructions in this way.

Interest rate increases

2C.20 We will always give you at least 30 days' notice before making interest rate increases and the notice will include the following information:

- the current interest rate;
- the new increased interest rate;
- an indication of the impact of the increase using a generic or personalised example; and
- that you can reject (within the 60 days set out in the notice) the increased interest rate and pay off what you owe at the current interest rate. We will remind you during the 60 days that you can do this and this reminder may be included on or with your statement. The notice will make it clear if the 60 day rejection period runs at the same time as the 30 day notice period.

If we offer alternative lending products, we may also provide you with the option to transfer what you owe to such a product at the existing (or lower) rate of interest.

2C.21 If the interest rate increase will apply to all our customers (general re-pricing), the notice may be sent at the same time we send your statement. If the interest rate increase will only apply to some of our customers (risk-based re-pricing), the notice will be sent separately from your statement. If you ask, we will explain why the interest rate is being increased and provide you with an industry standard explanation of how store card or credit card re-pricing works.

2C.22 If you reject the interest rate increase;

- we will close your store card or credit card account; and
- you can pay off what you owe at the existing rate of interest over a reasonable period which we will agree with you.

Selecting accounts for interest rate increases

2C.23 If you have complied with the terms and conditions of your account, we will not increase your interest rate:

- within the first 12 months of your having the store card or credit card (or risk-based re-pricing); or
- more often than 6 monthly, other than in exceptional circumstances (for risk-based re-pricing and general re-pricing).

2C.24 We will not increase your interest rate if we are aware that:

- you have currently missed two or more payments;
- we have agreed a repayment plan; or
- you are in serious discussion with a debt-counselling organisation and they have told us about this.

We will comply with the industry's *Statement of Principles on Credit and Store Card Re-Pricing* – see Section 4 for further details.

2C.25 We will make current store card or credit card interest rates available via at least one of the following:

- a telephone helpline;
- a website;
- notices in branches or stores; or
- by asking staff

Statements

2C.26 To help you manage your account and check entries on it, we will normally send you account statements free of charge, every month.

Unless you ask us, we may not send you statements if your balance is nil and there have been no transactions on your account since the last statement or where the account is in credit but has not been used for some time. If you want to know what transactions have been made on your account since your last statement, you may call us. We will tell you if we have the facility for you to check your statement online.

2C.27 If your statement has an entry which seems to be wrong, you should tell us as soon as possible.

2C.28 Your statement will show:

- the rate of commission or charge (if any) we apply, including (where this applies) foreign-currency credit-card transactions;
- enough details so you can pay on time;
- the current interest rate (also, if more than one interest rate applies to an outstanding balance, for example, if one rate applies to a transferred balance and different rates to new borrowing and cash transactions, this will be made clear);
- a clear statement that if the account is not fully cleared, interest will be charged on the total value of the statement, and not just on the outstanding balance (this may not apply to all store cards);
- a clear statement that interest will be charged on a daily basis and that interest payments will increase if the longer payment is delayed (this may not apply to all store cards);
- a brief summary of the allocation of monthly payments on the front or back of the statement (or a link from an on-line statement);
- the amount of interest you would have to pay if you paid the minimum amount and it reached us on the last day for payment (this may not apply to all store cards); and
- a warning about the risk of making only minimum payments – which will be 'If you make only the minimum payment each month, it will take you longer and cost you more to clear your balance'.

2C.29 We will make sure your minimum repayment covers more than that month's interest, fees and charges.

2C.30 We will tell you when an introductory promotional interest rate on your store card or credit card is about to come to an end.

New cards

2C.31 We will send you a store card or credit card only if you ask for one or to replace one which we have already issued. We do not have to reissue a card to you.

2C.32 We will send a different type of store card to you only if we have your permission to do so.

Credit cards and PINs

(Paragraphs 2C.33 – 2C.38 do not apply to store cards, which do not have PINs.)

2C.33 We will send your PIN (personal identification number) to you alone and we will send it separately from your card.

2C.34 We will tell you about our systems which allow you to choose and change your PIN. This should make it easier for you to remember it.

Taking care

2C.35 You should take care of your PINs, cards, passwords and selected personal information to help prevent fraud and to protect your accounts. We will tell you what security measures you and we must take to protect your account.

2C.36 Once you have told us that a card has been lost or stolen, or that someone else knows your PIN, password or selected personal information, we will take immediate steps to prevent these from being used to access your accounts. You will not have to pay us for anything that has been spent on your card after you have told us about this, unless we can show that you have acted fraudulently or with gross negligence.

2C.37 You will have to pay only the first £50 of what was spent on your card if it has been used by someone else before you tell us it has been lost or stolen, unless we can show you have acted fraudulently or with gross negligence.

2C.38 Unless we can show that you have acted fraudulently or with gross negligence, we will refund you the amount of any transaction, together with any interest and charges:

- if you have not received your card and it is misused by someone else;
- if someone else uses your card details without your permission for a transaction where the cardholder does not need to be present;
- if someone else uses your card details without your permission and the card has not been lost or stolen;
- for all transactions you have not authorised after you have told us that someone else knows your PIN, password or selected personal information;
- if the cash machine (or an associated system) was faulty and these faults were not obvious or the machine did not have a warning message or notice at the time you used it. This will only apply if your account has been wrongly debited; and
- for all transactions which can be shown to be the result of fraudulent activity, as long as you have taken reasonable care with your PIN, password and selected personal information.

2C.39 We will not stop your store card or credit card account without giving you reasonable notice, unless there are exceptional circumstances. For example, if we have justified reasons to suspect that your account is being used fraudulently, if you break the terms and conditions of your agreement, or if we assess that you cannot pay the amount you owe us.

Additional Information for Credit Card Customers

Promotional Rate Expiry

2C.40 If you have entered into a credit card agreement on the basis of a promotional offer, we will send you a separate written reminder of when the offer will expire. If we contact you by letter, we will do so not more than one month before the offer is due to end. If we contact you digitally (for example, by text, email or app) we will send this two to three weeks before the offer is due to end. We will tell you:

- the date on which the offer ends;
- that the cost of borrowing will increase; and
- the interest rate which will apply to the balance after the offer has ended.

We may also suggest that you refer to your statement to see the amount of interest you will be charged.

We will not send this notification if we have withdrawn a promotional rate (for example, if you are in arrears with your repayments), if you have already repaid the promotional balance in full, or the promotional offer has not been used.

Borrowing Prompt

2C.41 We will notify you digitally if you are approaching your credit limit (in any one monthly statement cycle), to alert you to this and to remind you that changes may be made if you go above the limit. The notification will be sent if you have used 80% to 95% of your available credit limit and we will set the threshold which will apply to your account.

We will not send you a notification that you are approaching your credit limit if:

- you have already opted to receive a notification where you have spent to a different limit on your credit card;
- you have paid the full amount owing on your account in the preceding month; or
- we do not hold any digital contact details for you (for example, your mobile telephone number/email address etc).

The notification will advise you that:

- you are close to your credit limit;
- we may charge you for going over the credit limit;
- you can opt-out of receiving the notifications and how to do so; and
- we may also suggest that you consider increasing your repayments.

Payment Date Changes

2C.42 When you enter into a credit card agreement, we will tell you what date you will need to make payments by each month. If you wish, you may select a later than date. We will tell you how to request a change to your payment date, and we may limit the number of times you can request a repayment date change in any one year. If we write to you about a missed payment, we will remind you that you may request a payment date change. This will be actioned once your account is back up-to-date, unless we agree otherwise.

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2D. PERSONAL LOANS

SECURED AND UNSECURED (INCLUDING SECOND CHARGE MORTGAGES)

This section will apply to you if your agreement is for an unsecured personal loan (for example, a loan to buy a product in store, or money paid direct for you to spend as you want). This section also covers short-term loans which allow you to borrow a small amount of money over a short period of time.

This does not include or revolving credit loans, which are discussed in section 2F.

Statements

2D.1 If we are required to, we will issue an annual account statement. In addition, and if you ask us to, we will send you an account statement (this does not apply to requests made less than a month after the previous request or where nothing further has been paid under the agreement).

2D.2 If your statement has an entry which seems to be wrong, you should tell us as soon as possible.

'Buy now pay later' schemes

Sections 2D.3 and 2D.4 apply only if your agreement is for a 'buy now pay later' loan.

2D.3 If we offer 'buy now pay later' products, we will make sure that the start date for repayments will not be more than 12 months from when you have the goods or from when you sign your credit agreement, whichever is earlier, to help you manage your debts.

2D.4 This will not include:

- buying a car on credit where you may, for example, pay a deposit of at least half of the cost of the vehicle (in that case, you may not have to pay the other half until more than 12 months after you have taken delivery of the car); or
- home improvements – in which case the start date for repayments will not be more than 12 months from the date the work is completed; or
- furniture – in which case the start date for repayments will not be more than 12 months from the date of delivery.

Interest-option loans

Sections 2D.5 and 2D.6 apply only if your agreement is for an interest-option loan. This is a loan agreement under which interest is payable from the start, but where you will not have to pay any of the interest if you repay the full amount borrowed before the end of a specific period, known as the "interest-option period".

2D.5 If we offer interest-option loans, we will work with retailers to make sure they are able to explain the options that will be open to you.

2D.6 If you have an interest-option loan agreement, we will:

- write to you before the interest-option period ends to remind you about the options open to you;
- make clear, in the loan agreement, and when writing to you (in the reminder), the date by which you must make a payment to avoid interest and the date from which interest will be paid if you do not make the final payment within the interest-option period;
- allow you a short 'grace period' at the end of the interest-option period to make the final payment if you can show you have made a reasonable effort to pay on time;
- tell you clearly at the beginning of your agreement, and in the reminder, if we have any restrictions on how you can make the final payment; and
- allow you to make the final payment in the way you prefer, depending on any restrictions (see above).

Short-term loans

2D.7 We will tell you the total cost of your short-term loan (including fees and charges) before you apply. This will be clearly displayed in addition to the Annual Percentage Rate.

2D.8 Before completing an application, we will remind you that short-term loans should be used for short-term financial needs and not for long-term borrowing.

2D.9 We will:

- not encourage you to extend the amount you owe for another term or promote extensions to the term of your loan;
- only consider extending the term of your loan if you ask us to and after we have carried out a sound and proper credit assessment;
- clearly explain any additional cost of extending the term of your loan and require you to repay any fees, charges and interest before the term of your loan is extended; and
- limit the number of times you can extend the term of your loan to a maximum of two occasions.

2D.10 We will tell you the full name of our company, which is providing the loan.

Variable interest rate loans

Section 2D.11 will apply to you if your agreement is for a variable rate personal loan (where we have the right, as set out in your agreement, to change the interest rate from time to time).

This does not include variable rate loans for buying a motor vehicle (see section 2G) or revolving credit loans (see section 2F).

2D.11 Changes to the interest rate may affect your monthly payments. We will tell you about any changes to the interest rate by letter, e-mail or other personal notices at least seven days before they take effect. If the change is to your advantage, we may change your interest rate before notifying you.

To help you compare rates more easily, our notices will clearly show the old and new interest rates that apply to your agreement.

This section (2D.11) only applies if the rate we charge is changing. It will not always be possible to tell you about changes before they take effect if your agreement is linked to a published rate (for example, a bank base rate or the finance house base rate) and it is only that published rate that is changing. In that situation we will tell you as soon as possible by letter, e-mail, other personal notices, or by showing the impact on your monthly account statement.

YOU MAY ALSO BE INTERESTED IN:

Ensuring your fair treatment

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2E SECOND CHARGE MORTGAGES

This section will apply to you if your agreement is for a second charge mortgage which is secured on your home. We will also comply with the rules and guidance contained within the Financial Conduct Authority's Mortgages and Home Finance Conduct of Business sourcebook CLICK HERE. This means that we will work to the same strict rules and standards as lenders that offer first charge mortgages to assist customers to buy a home.

Responsible lending

2E.1 Further to our commitments to you in 1D, whenever you apply for a second mortgage:

- we will carry out detailed checks on your income and expenditure to assess whether you can afford the loan;
- a valuation of your home will be undertaken to assess if there is enough equity in your property to meet the amount you want to borrow; and
- we will undertake comprehensive fraud checks.

2E.2 We will undertake regular reviews of our responsible lending criteria and also our systems and controls to protect against financial crime and mortgage fraud.

Brokers

2E.3 In accordance with our commitments to you in 2E.1 and the references contained in 2B.2, we will monitor the activities of the mortgage brokers we deal with and, in particular we will:

- ask that these mortgage brokers follow the principles of this Code;
- refuse to deal with, or end any relationship with, a mortgage broker who is not fit,
- proper and able, or who fails to act in line with this Code; and
- we will try to make sure that any mortgage broker we deal with does not pressurise you to enter into an agreement.

Statements

2E.4 If we are required to, we will issue an annual account statement. In addition, and if you ask us to, we will send you an account statement (this does not apply to requests made less than a month after the previous request or where nothing further has been paid under the agreement).

2E.5 If your statement has an entry which seems to be wrong, you should tell us as soon as possible.

Repossession

2E.6 If you have a second charge mortgage and you are unable to meet the repayments, your home may be at risk. We will always deal with cases sympathetically and positively and do what we can to help you deal with what you owe. We will only seek repossession of your home as a last resort. If we need to apply to a court for a Possession Order, we will comply with any relevant rules (known as *Pre-Action Protocols*) which require us to take certain steps before approaching the court.

2E.7 If we repossess your home and sell it, and the sales proceeds do not cover the full amount of the debt you still owe us, we will contact you about recovering the remaining debt. We may do this for six years (five years in Scotland) after the sale of the property. If you have committed any civil or criminal offence relating to the secured personal loan, we may increase this period up to 12 years.

YOU MAY ALSO BE INTERESTED IN:

Ensuring your fair treatment

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2F. REVOLVING CREDIT LOANS

(INCLUDING CATALOGUE CREDIT)

This section will apply to you if your loan agreement is for a revolving credit loan, which is a loan that allows you to borrow varying amounts of credit when you need it, up to an overall limit. An example of a revolving credit loan would be one which enables you to buy from a catalogue or other home-shopping.

2F.1 We will tell you if we want to use any information about transactions on your revolving credit account for marketing purposes.

Credit Limit increases

New customers

2F.2 When you take out a new agreement with us, we will explain how we will inform you if we propose to increase your credit limit in the future. We will also explain that you will be able to choose how you wish to respond to an offer to increase the credit limit: you may prefer that we only apply the credit limit once you have taken action to activate it (opt-in) or you may prefer to allow us to apply a credit limit increase to your account automatically unless you reject it (opt-out). If you do not make a choice, we will only increase your credit limit if you take action to activate it (opt-in). You will be given clear and consistent information which will set out why you are being asked to make this choice, what it means in practice and that you can change your mind at any time.

Existing customers

2F.3 If we offer you a credit limit increase, we will explain how you can either decline or accept this increase and we will also explain that you have a right to choose not to receive any future offers from us. If you choose to receive offers of credit limit increases from us in the future, you can decide whether these will only be applied if you activate them (opt-in) or unless you take action to reject them (opt-out). We will also explain the potential benefits and risks of credit limit increases.

Selecting accounts for a credit limit increase

2F.4 When deciding whether to offer a credit limit increase, we will take account of your repayment record. We will not offer you a credit limit increase if you have been in persistent debt for a period of 12 months, you are two or more payments in arrears on a credit agreement or your account has been subject to any form of forbearance by us in the last 6 months.

2F.5 You will still be able to request a credit limit increase at any time and we will consider this in line with our credit assessment procedures.

2F.6 Before we raise your credit limit on your revolving credit account, we will carry out a sound and proper credit assessment in the ways outlined in section 1.D. You can also ask us at any time to reduce your credit limit.

Statements

2F.7 To help you manage your account and check entries on it, we will normally send you account statements free of charge, every month.

2F.8 Unless you ask us, we may not send you statements if your balance is nil and there have been no transactions on your account since the last statement or where the account is in credit but has not been used for some time. You may ask us to provide account statements more often than they are normally available on your type of account.

2F.9 If your statement has an entry which seems to be wrong, you should tell us as soon as possible.

2F.10 Your statement will show (where applicable):

- enough details so you can pay on time;
- the current interest rate (also, if more than one interest rate applies to an outstanding balance, for example if one rate applies to a transferred balance and different rates to new borrowing and cash transactions, this will be made clear);
- a clear statement that if the account is not fully cleared, interest will be charged on the total value of the statement, and not just on the amount left to pay;
- a clear statement that interest will be charged on a daily basis and that interest payments will increase the longer payment is delayed (even before the monthly payment date);
- a brief summary of the monthly payments on the front or back of the statement (or a link from an on-line statement);
- the amount of interest you would have to pay if you paid the minimum amount and it reached us on the last day for payment; and
- the following warning about the risk of only making minimum payments: 'If you make only the minimum payment each month, it will take you longer and cost you more to clear your balance'.

2F.11 We will make sure your minimum repayment covers more than that month's interest.

2F.12 We will not stop your revolving credit account without giving you reasonable notice, unless there are exceptional circumstances, for example, if we suspect that your account is being used fraudulently, or if you break the terms and conditions of your agreement.

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2G. MOTOR FINANCE LOANS

This section will apply to you if your loan agreement is to buy a car, caravan, motorcycle or van from a motor dealer. This includes hire purchase agreements, conditional sale agreements, personal contract purchase agreements, hire and lease agreements and personal loans arranged through the motor dealer who supplied the vehicle (and includes any linked loans for insurance products).

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Affordability

2G.1 When you buy a vehicle from a motor dealer with a loan, they will send your loan application to us for assessment, no matter how much credit you have applied for.

2G.2 Further to our commitments to you in section 1D, we will undertake an appropriate assessment. Our assessment will be proportionate to the risk of the type of loan you have applied for. In carrying it out, we will refer to the FLA's *Guidance for Assessing Creditworthiness and Affordability*.

2G.3 If you intend to drive the vehicle, the dealer may ask to see your driving licence and may ask you to obtain an access code which will enable them to check the details of your licence on-line via the *View Driving Licence* service on the gov.uk website - see Section 4 for further details. The dealer may also ask to see other documents such as a current valid passport.

2G.4 We will make sure that ownership of the vehicle is properly registered and will refer to the FLA *Best Practice on Asset Registration*. We will in particular ensure that our interest in the vehicle is registered on the asset registers held by each of the FLA's Motor Asset Registration Services members.

Information

2G.5 In addition to our commitments to you in section 1B.1, we will provide you with a clear summary of the features of the loan, which will help you to understand the agreement being offered and to compare different offers and products, so that you are able to make an informed decision about what is right for you. This information will include, as a minimum:

- the cost of the loan (for example, the monthly payment and what you will pay in total over the period of the whole agreement);
- any significant restrictions (for example, a mileage limit);
- the options for bringing the agreement to an end early; and
- whether you will own the vehicle at the end of the agreement.

In doing this, we will refer to the FLA's *Guidance on Improving Customer Information at Point of Sale and during the Contract*.

Statements

2G.6 If we are required to, we will issue an annual account statement. In addition, to help you manage your account and check entries on it, we will send you a statement if you ask us to (this does not apply to requests made less than a month after the previous request or where nothing more will be paid under the agreement).

2G.7 If your statement has an entry which seems to be wrong, you should tell us as soon as possible.

2G.8 Some loan agreements have conditions, such as mileage limits or a requirement to keep the vehicle in good condition. If you fail to meet these conditions, you may be in breach of your agreement. If a breach is not identified until the end of your agreement, you may be required to make additional payments to us. We will therefore remind you of any such conditions at least once a year. We may include this reminder in your annual account statement, or in a separate document.

Options at the end of your agreement

2G.9 Different motor finance products have different features, for example, there may be a final optional ('balloon') payment due should you wish to own the vehicle at the end of your agreement. In addition to explaining the relevant features at the point of sale to help you decide whether the loan meets your requirements, we will also clearly explain the options available to you as you approach the end of the agreement.

Dealer oversight

2G.10 Further to our commitments to you in Section 2B, when you buy a vehicle from a motor dealer with a loan, we will monitor the dealer's activities to ensure that they maintain high standards of quality and service. In doing this, we will refer to the FLA's *Guidance on Intermediary Oversight*.

2G.11 We will arrange motor finance through a broker or dealer only if they have *SAF Approved* status or if they are accredited under an equivalent training and competence scheme involving regular and frequent reviews of their employees' competence[2].

Repossession

2G.12 If at any point we need to repossess the vehicle due to non-payment, we will use professional agents who comply with the *FLA Vehicle Recovery and Collection Industry Standards*.

[2]Where motor finance is arranged through a broker or franchised motor dealer, Section 2G.11 will come into force on 1 January 2023. Where motor finance is arranged through a non-franchised motor dealer, Section 2G.11 will come into force on 1 January 2025.

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2H. LOANS TO PAY INSURANCE PREMIUMS

If your agreement is for providing a loan to pay an insurance premium (for example, car insurance and household insurance), sections 1A (Treating you fairly), 1B (Information and marketing), 1C (Keeping information confidential), 1F (Making a complaint), and 1G (Monitoring and compliance) of this Code will apply to your agreement).

Running your account

2H.1 We will give you a schedule of repayments at the start of the loan.

2H.2 If your schedule has an entry which seems to be wrong, you should tell us as soon as possible.

2H.3 We will not stop your account without giving you reasonable notice, unless there are exceptional circumstances, for example, if we suspect that your account is being used fraudulently, or if you break the terms and conditions of your agreement.

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2I PAYMENT PROTECTION INSURANCE (PPI) AND GUARANTEED ASSET PROTECTION (GAP) INSURANCE

This section applies to you if you have bought payment protection insurance (for example, to cover some or all of your payments if you become sick or unemployed) or guaranteed asset protection insurance (for example, to cover a shortfall on your loan if your vehicle becomes a write-off in an accident) with your loan.

2I.1 We will sell only general insurance products that are suitable to your needs. We will not insist that you buy any insurance from us when you become a customer.

2I.2 We will follow the FCA's *ICOB rules* on selling general insurance and any other rules that the FCA may make relating to the sale of PPI or GAP insurance. You may contact the FCA for details (see Section 4).

2I.3 Before you take out payment protection insurance, or at the time you take it out, we will tell you if and when you may cancel your insurance policy, and how you can do this.

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2A SUPPLIERS OF GOODS AND SERVICES

This section applies to you if you entered into your loan agreement through a supplier of goods or services (for example, in a shop or at a motor dealership). It also applies if you have bought goods and services with credit cards (but not loans which you have applied for separately).

2A.1 If we provide finance for goods and services, we will do so only through a supplier who will have to:

- maintain high standards of quality and service; and
- avoid high-pressure selling.

2A.2 If you took out a loan with us to buy goods which are faulty, or a service (for example, a holiday or home repairs or improvements) which is not satisfactory, you may make your complaint either to the supplier or to us. In some circumstances, you may find it useful, in the first instance, to contact the supplier you bought those goods or services from (for example, the holiday company, repairer, retailer or dealer). Depending on the nature of the fault or your dis-satisfaction, the supplier may be better placed to resolve the matter to your satisfaction more quickly. If you do complain to the supplier, you may also wish to notify us that you have done so. If you are unable to sort out your complaint by contacting the supplier, you can contact us as we may be able to help you.

2A.3 When you buy goods from a supplier with a loan, they will send your loan application to us for assessment, no matter how much credit you have applied for.

Please see the other requirements which relate to the type of loan you have.

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2B BROKERS

This section applies to you if you entered into your loan with the help of a credit broker (a company or individual which may arrange a loan for you).

2B.1 Before we accept business from any credit, mortgage or insurance broker for the first time, we will:

- make sure that the broker is fit, proper and able and authorised by the Financial Conduct Authority; and
- make the broker aware of the principles of this Code.

2B.2 We will monitor the activities of the brokers we deal with and, in particular:

- we will ask that they follow the principles of this Code;
- we may refuse to deal with, or end any relationship with, a credit broker who is not fit, proper and able, or who fails to act in line with this Code; and
- we will try to make sure that any broker we deal with does not pressurise you to enter into an agreement.

2B.3 If you are not happy with anything that you have been told by a broker, you may make your complaint to either them or us. You may find it useful to contact the broker first. However, if you cannot sort out your complaint in that way, you should contact us.

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1A. TREATING YOU FAIRLY

1A.1 We will:

- act fairly, reasonably and responsibly in all our dealings with you;
- not discriminate against you because of your race, sex, disability, ethnic background or sexuality;
- provide you with clear information when you need it, and explain how our products will affect your finances;
- not pressurise you to enter into any agreement with us and try to make sure that credit brokers, and all other suppliers of goods and services we do business with, do not pressurise you;
- treat you sympathetically and positively if you get into financial difficulty;
- treat all your personal information as private and confidential, and run secure and reliable systems; and
- correct mistakes, handle complaints quickly and sympathetically, and tell you how to take your complaint forward if you are still not satisfied with our response.

We will also:

- make sure that all our services and products meet the requirements of this Code and provide you with a high level of service;
- make sure that all our services and products meet all the relevant laws and regulations which apply to consumer and mortgage credit;
- act honestly and try to make sure that credit brokers, and all other suppliers of goods and services we do business with, do the same;
- be open and co-operative with the Financial Conduct Authority (FCA) and organisations that handle complaints (such as the Financial Ombudsman Service), and other relevant regulators;
- follow any guidance notes that the FLA issues, where relevant to the products and services we offer;
- train our staff to make sure that the procedures they follow reflect the legal and regulatory requirements and the commitments set out in this Code; and
- publicise the Code and make copies freely and readily available to you.

How you can help

1A.2 You can help us in meeting the standards set out in this Code by:

- borrowing sensibly and thinking carefully about how much you can afford to repay throughout the duration of the loan;
- telling us as soon as your contact details change so that we can keep our records up to date;
- letting us know if there are circumstances which affect how you manage your account or communicate with us, so that we can work with you to make reasonable and appropriate adjustments to help;
- telling us as soon as possible if your circumstances change, particularly if this is likely to affect your ability to make your regular repayments to us. If we are aware of the changes, we can work with you if adjustments are needed;
- protecting your account information and PINs, to avoid fraud; and
- reading the information we give you about your loan so that you know how it works and how to contact us if you need to.

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1B. INFORMATION AND MARKETING

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Before you take out a loan

1B.1 Before you take out a loan, you will receive:

- information in writing on key features of the loan to help you decide whether the loan is right for you, including:
 - the written terms and conditions of your agreement;
 - the cost of the loan;
 - the interest rate that will apply;
 - details of when you will have to pay interest;
 - details of any extra fees and charges you may have to pay, including default charges (charges applied if you pay late), and how we will tell you the amount;
 - information on your rights; and
 - the opportunity to read and consider the information above, and how you can ask us for further information and explanation.

Once you have taken out a loan

1B.2 When you become a customer, and whenever you ask us, we will give you the information in 1B.1 above, plus details of how to complain if things go wrong. We will also give you a full explanation of how we work out interest, if you ask us.

1B.3 We will tell you what charges we make for any other service or product before or at the time we provide that service or product, and at any time you ask.

1B.4 You can also ask us for more information on interest rates and charges. We may also put this information on our website.

1B.5 All agreements will set out your rights and responsibilities clearly and in plain language and all our communications with you will also be in plain language. We will not use legal and technical language unless we have to.

1B.6 If two or more of you have the same loan together, we will provide information to each of you on your individual rights and responsibilities.

Settling your loan early

1B.7 Whenever you ask, we will explain how you may pay off (settle) your loan early and how we will work out the amount you will need to pay us. If you would like to know more about settling your loan early or the amount you will have to pay, you should contact us first. Also, if you ask for a settlement statement, we will provide this as soon as possible, free of charge.

Changes to interest rates

1B.8 The rate of interest which you pay will depend on the type of product which you have and the specific terms and conditions which apply to it. We will explain to you whether your interest rate may change and how we will notify you of this. Depending on the type of product, we may be required to send you information about interest rate changes in advance of the change: for others, we may be able to notify you after the rate has changed. For some, you may be able to find out what the rate is by checking in the national press or on a website.

Changes to terms and conditions (other than interest rates)

1B.9 Sometimes we may change our terms and conditions, but only if your agreement with us allows us to do so. We will let you know how and when we will tell you about these changes.

- If the change is to your advantage (for example, if we remove a fee), we may make the change before telling you. We will also notify you of the change within 30 days.
- If the change is to your disadvantage, we will always give you at least 30 days' notice before making the change. This may be by, for example, advertisements in the press, information on websites or notices in branches and will be appropriate according to the way in which we provide loans. If your original loan is for 30 days or less, we will give you notice as soon as possible.
- If the change is to your disadvantage, at any time up to 60 days from the date of the notice you may, if a suitable alternative product is available, switch your account with us or close it without having to pay us any financial penalty (due to the change) for doing this.

1B.10 If we have made a major change or a lot of minor changes in any one year, we will give you a summary of the changes and make a full copy of the new terms and conditions available to you.

The way we market our services

1B.11 From time to time, we may tell you about other services and products which may interest you. We will act responsibly and will be selective about sending you details of services and products. However, we will only send you this information if we are allowed to do so by law. If you do not wish to receive this information, you can ask us not to send it – and we will remind you, at least once every three years, that you can ask us to stop sending it. If we send you unsolicited promotional emails you will be able to 'unsubscribe' from receiving these offers by email.

1B.12 When you become a customer, we will tell you if we would like to pass your name and address to other companies for marketing purposes. If you do not wish us to do this, we will tell you how to confirm this to us.

Young people

1B.13 We will not knowingly send marketing material about our loans to you if you are under 18.

Advertising

1B.14 We will make sure that all our advertising and promotional material is clear, fair and not misleading.

1B.15 All our advertising and promotional material will comply with relevant advertising legislation and industry codes of practice, which may include:

- Relevant provisions contained within the *Financial Conduct Authority's Handbook*
- the *Consumer Rights Act 2015*
- the *Consumer Protection from Unfair Trading Regulations 2008*
- the *UK Code of Non-broadcast Advertising and Direct & Promotional Marketing* (CAP Code)
- the *UK Code of Broadcast Advertising* (BCAP)
- relevant *Data Protection* legislation
- You can find links to these codes in Section 4 (Helpful information) of this Code.

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1C. KEEPING INFORMATION CONFIDENTIAL

1C.1 We will keep your personal information confidential (even where you are no longer a customer) and will tell you how we plan to use this information before we collect it. We will only retain information about you for as long as it is necessary for the ongoing provision of products and services, or for as long as we are required to.

1C.2 We will not reveal information we hold about you to others, unless:

- we have your permission to do so;
- we have to by law;
- we have a public duty to do so; or
- it is in our interests to do so (for example, for legal proceedings or to enforce a guarantee). We will not use this as a reason to give your personal information to anyone else, including other companies within our group, for marketing purposes, unless we have your permission to do so.

Information

1C.3 We will let you know how to get a copy of information which we and the credit reference agencies (CRAs) hold and that you have a right to see under the Data Protection legislation.

1C.4 If we record or monitor phone conversations, we will tell you this.

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1D LENDING YOU MONEY

Applications

1D.1 Whenever you apply to us for a loan:

- we will make our own assessment of your ability to repay it, so that we do not lend you more than we think you can afford;
- we will give you enough information to allow you to make informed decisions about the loan offered to you;
- if we refuse your application, we will tell you the main reason why, if you ask us. You will have a right to ask us to review our decision and we will tell you whom to contact if you want us to do this; and
- if our decision to refuse your application was influenced by information obtained from a credit reference agency (CRA) search, we will tell you how to contact the CRA in question so that you can get a copy of the information which it has about you.

Assessing your ability to repay

1D.2 When we assess your ability to repay, we may look at a combination of:

- the type of loan and the amount of credit requested;
- your income;
- your existing credit commitments and financial situation;
- how you have handled your financial affairs in the past;
- with your permission, information from other people, for example, employers, other lenders and landlords;
- your personal circumstances and any likely future changes which you have told us about;
- information you have supplied, including proof of your identity and why you are applying for the loan;
- information from credit reference agencies (CRAs);
- the results of credit assessment techniques, for example, credit-scoring: a credit-scoring system generally takes account of information you have given us, any information we may hold about you, and information from CRAs. The system gives points for each piece of relevant information and adds these up to produce a score. An FLA leaflet '*Your credit decision explained*' explains how credit scoring works. You can find a link to the leaflet in Section 4 of this Code;
- your age;
- where you live, although this will not be the only thing that affects your application and will not outweigh the other factors; and
- any security you have provided (such as your home).

Identity

1D.3 When you apply for your loan, we will tell you what information we need from you to check your identity and address (for example, a passport or driving licence). This may include checking the electoral register. This is important for your security and in some circumstances may be necessary by law. We will also tell you what enquiries we may make with CRAs.

Credit reference agencies (CRAs)

1D.4 When you apply for your loan, we will tell you that we may use the information you give us to carry out a search with a CRA. The CRA will keep a record – known as an "application search" - and other lenders may use it to assess applications for credit from you in the future. We and other lenders may also use the search information to prevent or detect fraud and money-laundering, to trace debt, and for statistical purposes. If you ask us to, we will tell you the name of the CRAs we use and you can contact them if you want to get a copy of the information they hold about you.

1D.5 In some cases, we may charge customers different interest rates for loans, depending on their individual circumstances. In these cases, if we provide a quotation of the likely interest rate, we will be transparent about the availability of this service. If you ask for a quotation of the likely interest rate, we will:

- as industry best practice, provide you with a quotation and any credit search undertaken will be recorded as a "quotation search", not as a full "application search"; or
- inform you if we do not offer a quotation and that, if you proceed, an "application search" will be registered at the CRA.

1D.6 We will tell you if we plan to inform the CRAs that you have an account and how you run that account. Your credit rating could be affected if you do not keep your repayments up to date.

Health problems and other considerations

1D.7 We will take particular care if you are suffering from health problems, including mental health difficulties, when we are made, or become, aware of this.

This includes:

- appropriately training staff to handle accounts, including those dealing with complaints and collecting debts for us; and
- being sensitive to your condition and responding appropriately when dealing with you or someone authorised to act on your behalf.

In order to do this we may need to ask for appropriate evidence of your health problem and will need your permission to record this information on our system.

1D.8 If we are aware that you have a long-term health difficulty, we will:

- make sure, where you have allowed us to record such information, that we limit the number of times you or the person you have authorised to act on your behalf has to provide details of your condition to us; and
- if you experience financial difficulties, we will make sure that we accept appropriate evidence of your condition when considering the options available to you.

1D.9 Health problems are not the only considerations that may affect how you would like to manage your account or communicate with us. We will endeavour to work with individual circumstances wherever possible and proportionate.

Guarantees

1D.10 If we accept a guarantee or other security from someone for your liabilities (legal responsibilities under the agreement) we may be required to provide some information about your loan to the person giving the guarantee or other security, or to their legal adviser. We may also, with your consent, provide other information about your loan to the person giving the guarantee. We will also:

- encourage them to get independent legal advice to make sure that they understand their commitment and the possible consequences of their decision (the documents we ask them to sign will contain this recommendation as a clear and obvious notice);
- tell them that by giving the guarantee or other security, they may become liable instead of, or as well as, you;
- assess whether they are likely to be able to afford to repay in the event that they do become liable;
- limit each guarantee or security to a particular transaction or limit of liability;
- tell them about the ways we may use or reveal information that may not be obvious and get their permission to use or reveal information before they enter into the guarantee; and
- provide them with access to regular financial information on their current level of liability.

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1E DIFFICULTIES IN PAYING

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1E.1 If you fall behind with your payments, we will let you know the options available to you including, where appropriate, informing you of sources of free and independent debt advice (see Section 4 for details of these organisations).

1E.2 We will deal with cases of financial difficulty (if you cannot afford to repay your loan) sympathetically and positively, and do what we can to help you deal with what you owe. This may include making new arrangements about how you will pay off your debt. In doing so we will consider other debts that you owe and have made us aware of.

1E.3 We may also contact you if we think you may be at risk of having payment problems, to consider possible ways to help you, taking into account your circumstances.

How we can help each other

1E.4 If you find yourself in financial difficulties or if you are having problems keeping up current or future repayments, you should let us know as soon as possible and stay in contact with us. The sooner you discuss your problems with us, the easier it will be for both of us to find a solution. The more you tell us about your full financial circumstances, the more we may be able to help. If you do not stay in contact with us, it will be difficult for us to help you.

1E.5 If you tell us that you are having financial difficulties, we will:

Assisting you

- explain what our procedures are and let you know the options available to you;
- give you a telephone number for a member of our staff or our specialist team who can consider your options with you;
- take into account what debts you may owe to other lenders and any other wider financial commitments you tell us about;
- take into account any other factor that we become, or are made, aware of such as a recent change in circumstances that may affect your ability to operate your account or how we communicate with you, and which may be relevant to considering your financial situation and how we may be able to help you;
- not harass you or put you under unnecessary pressure (however, we would expect to be able to contact you at reasonable times);

Repayment Plans

- explore different options with you for repaying what you owe. We will keep any repayment arrangement under review and will not ask you to increase your repayment unless your financial situation has improved;
- give the same consideration to repayment plans whether you use a debt- counselling organisation or have made your own suggestion regarding a repayment plan;
- make sure that you are left with enough money to pay reasonable day-to-day expenses;
- tell you without unnecessary delay if we agree to:
 - freeze or reduce the interest rate on your agreement;
 - start to apply interest on your account;
 - intend to go back to the initial rate of interest on your agreement; or
 - re-apply interest to your account;

Working with others

- with your authority, deal with people whom you have asked to act on your behalf, unless those people behave unreasonably. If we need to contact you directly when such an authority is in place, we will explain why we are doing so;
- tell you if we appoint someone else, such as a debt collector or solicitor, to collect the overdue payments on your loan. We will always appoint firms which follow the *Credit Services Association's Code* or the *Standards of Lending Practice* - see Section 4 – Helpful information - as well as the standards for handling financial difficulties set out in this Code;
- make sure that if we appoint someone else to collect money from you, they are aware of any arrangement we have already made with you to repay what you owe us;
- tell you what information we will pass to the credit reference agencies (CRAs) about your account, if we agree to accept reduced payments from you;
- explain whether a default will be registered against you (the default will show that you have not been able to keep to the conditions of your agreement with us and will stay on your credit file for six years). This includes if you have made an arrangement but it is insufficient to meet our minimum requirements for a repayment plan; and
- advise you if we sell your debt to a third party and tell you who that third party is. We may do this jointly with or via the third party, and will do so before the third party begins any collections activity. We will always choose firms which agree to follow the Credit Services Association's Code as well as the standards for handling financial difficulties set out in this Code. Some firms which buy debt also comply with the provisions of the *Standards of Lending Practice*.

Credit reference agencies

1E.6 If we are legally entitled to do so, we may give default information to CRAs about your loan if:

- you have fallen behind with your payments;
- the amount owed is not in dispute; and
- we are not satisfied with the arrangements you have made for repaying your debt, following our formal demand.

If you are in dispute with us (over the amount owed, for example), you may contact the CRAs to record this information on your file.

1E.7 We may also register a 'default' on your credit reference file if your account remains in arrears by at least three monthly payments or if we are taking some form of action to collect the amount you owe. As a general rule, we will give you at least 28 days' notice if we decide to register a default on your credit reference file. The default will show that you have not been able to keep to the conditions of your agreement with us and will stay on your credit file for six years. We will also explain to you how the default information might have an effect on your ability to get a loan in the future.

Debt and mental health

1E.8 If we are aware that you have a mental health problem, we will:

- work with any debt-counselling organisation and health and social care professionals acting on your behalf, if you ask us to;
- give you reasonable time (for example, 28 days) to collect and submit relevant evidence you want us to look at when deciding the most appropriate action for dealing with your financial difficulties;
- consider any information you, or the person you have authorised to act on your behalf, give us on a *Debt and Mental Health Evidence Form* (DMHEF);
- refer to the debt and mental health *good practice guidelines on debt and mental health* produced by the Money Advice Liaison Group;
- record relevant information about you on your account so that our staff can respond to you appropriately. We will only do this with your explicit consent and in line with the requirements under the Data Protection Act 2018. We will inform you how your information will be used and for what purposes; and only take court action to recover what you owe as a last resort and when it is appropriate and fair to do so.

Debt advice

1E.9 If you are in financial difficulties, you can get help and advice from debt-counselling organisations. Once you tell us that you are in financial difficulty, we will tell you about these debt-counselling organisations. If you send us your permission, in writing, we will work with debt-counselling organisations that we recognise. These include:

- Citizens Advice
- StepChange
- National Debtline
- Money Advice centres

All of the above provide advice free of charge.
See section 4 for more details.

The following 4 paragraphs (1E.10-12) apply to all loans except mortgages.

Breathing space

1E.10 If you are making a genuine effort to agree a repayment plan using either a debt-counselling organisation or you have suggested your own repayment plan, we will not contact you or take any action to recover the money you owe us for 30 days. We will confirm with you or your adviser how your account will operate during the 30-day period. If you or your adviser provides us with clear evidence that real progress is being made in reaching a repayment plan, but work has not yet concluded, we will extend the breathing space for an additional 30 days.[1]

Token offers and write-offs

1E.11 If you can show that you have no surplus income left to pay your 'non-priority' debts and there is a real prospect that your circumstances will get better, we may accept token offers. If we consider that your personal and financial circumstances are exceptional and unlikely to get better, we may consider (as well as other options) writing off or not pursuing part or all of your debt. If you ask us to write off your debt and we do not consider it appropriate, we will write to you with our reasons. If we accept token offers or write off your debt, this may be recorded as a default on your credit file.

Interest & charges

1E.12 We will consider reducing or stopping interest and charges if you can show us you are in financial difficulties and are unable to meet the repayments on your loan. Interest and charges will not continue to be taken if this would lead to the repayment period becoming excessive taking into account the type of loan and your circumstances. We will base our decision on your ability to repay and if we do not allow concessions we will explain why if you ask us to.

Consolidation loans

1E. 13 If we provide a consolidation loan to you when you are in financial difficulties, the monthly payments will not exceed the total monthly payments of the debts being consolidated except in exceptional circumstances, for example where you currently have a repayment holiday or an interest-free period which will end shortly. We will not provide a consolidation loan if we consider that your repayments would not be sustainable over the duration of the proposed loan.

Statement of income and expenditure

1E. 14 If you have debts with many lenders, a debt-counselling organisation may complete a statement setting out details of your income and expenditure on your behalf. If the format of such a statement is satisfactory to us, we will accept it as the basis for negotiations with you in drawing up a plan to manage your debt.

1E. 15 Some formats of statement have pre-agreed and reasonable levels of non-discretionary expenditure, often referred to as "trigger figures" or "spending guidelines". If your expenditure falls within any applicable "trigger figures", we will only challenge the information provided if we have cause to believe that the amount of income or expenditure may be incomplete or inaccurate.

1E. 16 If your expenditure exceeds the trigger figures or spending guidelines in the statement, we may ask you or your adviser for additional information or to provide further explanation if, in our view, we consider that it is necessary or appropriate to do so in order to consider your circumstances or proposal for managing your debt.

1E.17 Where a personal loan was used to purchase an asset, for example, a motor vehicle, we may draw to your attention that you may wish to consider selling the asset to reduce your personal loan commitments.

[1]The Government's separate Breathing Space Moratorium was launched on 4 May 2021. The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England & Wales) Regulations 2020.

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1F. MAKING A COMPLAINT

1F.1 The Financial Conduct Authority has made specific rules on how we handle any complaints that you may have about us. These rules require us to respond to your complaint and investigate it thoroughly, and if we cannot resolve it to your satisfaction, you will then have the right to take it further, to the Financial Ombudsman Service (FOS). There may be some circumstances in which the FOS will not have the authority to deal with your complaint: if that applies to you, the FOS will explain the reason to you.

1F.2 When you take out a loan, we will tell you about our complaints-handling procedure. We will do this:

- in writing – at or immediately after the point of sale;
- by giving you a copy of our procedure, if you ask for one; and
- by giving you a copy, if you send us a complaint.

This information will also be available on our consumer website, if we have one.

Internal procedures

1F.3 If you want to make a complaint, you should contact us first using our complaints procedure. To help us deal with your complaint quickly on the phone, please have your agreement number ready and any other forms of identification we have agreed with you. Alternatively, you may prefer to write to us.

1F.4 You may want us to speak to a member of your family, a friend or a debt-counselling organisation acting on your behalf about your complaint. We will do so, if you can provide us with confirmation that the person concerned has your authority to speak to us on your behalf.

1F.5 When we receive your complaint, we will send you a prompt, written acknowledgement that we have received it and assure you that we are dealing with it. We will keep you informed of progress.

Final Response letter and the Financial Ombudsman Service

1F.6 We will do our best to resolve your complaint as soon as possible. If we are able to resolve it within 3 business days (beginning the day after we received your complaint), we will write to you summarising the details of your complaint and confirming that we understand that it has been resolved. If you subsequently decide that you are not satisfied with our response, you will have the right to refer your complaint to the FOS, whose details we will give you.

1F.7 If we need more than 3 business days to investigate your complaint, the FCA's Rules allow us up to 8 weeks to try to resolve your complaint, at the end of which we will send you a letter setting out our "Final Response." This will explain our final view on the issues raised in your complaint, and say whether we:

- accept your complaint and – where appropriate – are offering you redress (compensation, apologies and other action);
- are offering you redress without accepting your complaint; or
- reject your complaint (giving reasons why we are doing this).

1F.8 If we are unable to send you our Final Response within 8 weeks, we will write to you explaining the reasons for the delay and indicating when we expect to be able to send it to you. If you do not wish to wait for our response after 8 weeks, you will be entitled to refer the complaint to the FOS at that point.

1F.9 Our Final Response will enclose a copy of the *FOS's explanatory leaflet*, and details about how to contact the FOS.

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OTHER SECTIONS IN THIS CHAPTER

These sections apply to all FLA members, whatever type of lending they do.

TREATING YOU FAIRLY CLICK HERE

INFORMATION AND MARKETING CLICK HERE

KEEPING INFORMATION CONFIDENTIAL CLICK HERE

LENDING YOU MONEY CLICK HERE

DIFFICULTIES IN PAYING CLICK HERE

MAKING A COMPLAINT CLICK HERE

COMPLYING WITH THE CODE CLICK HERE

You have a **finance agreement** and would like more information CLICK HERE

Making sense of the jargon and **where to go next** can be viewed here

1G. COMPLYING WITH THE CODE

1G.1 We have a Code Compliance Officer and our internal auditing procedures make sure we comply with (keep to) this Code. We have to fill in an 'annual statement of compliance' as a condition of our membership of the FLA. The FLA will also visit us periodically to carry out checks on how we comply with the Code.

1G.2 This Code is monitored by the FLA Lending Code Group and serious breaches can be referred to the FLA Disciplinary Panel.

1G. 3 The Lending Code Group and Disciplinary Panel are made up of independent representatives and FLA members.

1G.4 The Lending Code Group recommends the action that the FLA should take if members do not keep to this Code. This may include action to be taken by FLA staff or members of the Group and may include:

- visits;
- written warnings;
- requests for written explanations;
- meetings to discuss the matter; and
- referral to the Disciplinary Panel.

1G.5 The Disciplinary Panel is independent of the Lending Code Group. The Panel looks at matters referred to it by the Lending Code Group where a serious breach of the Code has taken place or where our actions have resulted or may result in serious consumer detriment or reputational damage to the Code. Action taken by the Panel can include:

- written warnings to members:
- recommendations as to future conduct; and
- referral to the FLA Board.

1G.6 The most serious punishment for not keeping to the Code is to be expelled from the FLA.

1G.7 If you would like to tell the FLA about a potential breach of the Code, please see the FLA website for details of how to do this. While the FLA cannot comment or advise on individual disputes, the FLA will take into consideration evidence of beaches of the Code as part of the Monitoring and Compliance process.

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YOU MAY ALSO BE INTERESTED IN:

Ensuring your fair treatment

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INFORMATION AND MARKETING CLICK HERE

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- personal loans
- store cards and credit cards
- revolving credit loans such as catalogue shopping
- motor loans
- second chare mortgages, and
- loans to pay insurance premiums.

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Q WHAT PRODUCTS ARE NOT COVERED BY THE LENDING CODE?

- mortgages to buy a home
- current accounts and overdrafts
- savings and investments, and
- lending to businesses

Business loans are covered by the separate FLA Business Finance Code, which you can find here.

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The Code covers five main areas:

- Information and marketing
- Keeping your information confidential
- Responsible lending
- Difficulties in paying
- Bringing a complaint

A separate section on sets out how the processes lenders must have in place to check they are complying with the Code's standards. The FLA will also carry out compliance checks.

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When you take out a loan, your lender will tell you about their complaint-handling process. Lenders must correct mistakes and handle complaints quickly and sympathetically. Section 1F of the Code sets out how you can make a complaint, how the lender will keep in touch with you and how you can take your complaint forward if you are still not happy with the response. This may be to the Financial Ombudsman Service.

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3. JARGON BUSTER

These definitions explain the meaning of words and phrases used in this Code.

Agreement
A credit, mortgage, hire or lease agreement with a member of the FLA, or arranged by an FLA member as part of a lending exchange.

Broker
A person or business regulated by the Financial Conduct Authority who introduces a customer to a company which will offer credit, hire, lease or mortgage agreements.

Card
A general term for any plastic card which may be used to pay for goods or services (or both) or to withdraw cash. In this Code, this definition does not include 'electronic purses' or 'loyalty' cards.

Consumer
A private individual customer who enters into a credit, hire or lease agreement or opens an account with a member of the FLA (or arranged by an FLA member), other than for business purposes, regardless of the amount.

Credit reference agencies (CRAs)
Organisations which are regulated by the Financial Conduct Authority and which hold information about individuals that is of interest to lenders. FLA members may give information to, or ask for information from, these agencies. If you apply to an FLA member for credit, they may obtain information about you from a CRA to help them decide whether or not to lend you money. Some aspects of CRAs' activities come under the scope of the *Information Commissioner's Office* (ICO).

Credit-scoring
A system used by some lenders to help them make decisions about whether or not to lend you money. A credit-scoring system takes account of information you have provided, together with any other information the lender may hold. It gives points for each piece of relevant information and adds these up to produce a score.

Final payment
The last payment which you must make to make sure that you have repaid the full amount under your loan agreement.

Fixed-sum credit plan agreement
An instalment loan on a store or credit card under which you undertake to pay regular fixed instalments over a certain period.

General insurance
Includes any form of insurance that we may sell you, including payment protection insurance, extended warranty, motor insurance, breakdown cover and GAP.

Guarantee
A promise, given to us by a person called the 'guarantor', to pay your debts if you do not pay them.

Guaranteed asset protection insurance (GAP)
Insurance to cover the difference between the amount a motor insurer pays if the vehicle is written off, and the amount you owe under the agreement for the vehicle, if this is greater. In some cases, GAP insurance might cover the actual amount on the original invoice to buy the vehicle.

Interest-option products
An agreement under which interest is payable from the start. However, if you repay the amount borrowed before the end of a specific period (the interest-option period), the creditor will excuse you from paying all of the interest that would otherwise have been payable.

Loan
A type of finance provided by FLA members which includes:
- store cards;
- credit cards;
- personal loans;
- second charge mortgages;
- revolving credit loans, including catalogue shopping;
- motor loans, including loan, hire purchase, lease or any other variation; and
- loans to pay insurance premiums.

Members
Finance and leasing companies who are full members of the FLA. You can get a list of these from the FLA.

Password
A word or an access code which you have chosen to allow you to use a phone or home-banking service. It is also used for identification.

Payment protection insurance (PPI)
PPI covers some or all of your loan payments when one or more of the following occurs:
- you have an accident or become ill
- you lose your job and/or are unable to find work
- death

The main benefits, exclusions and eligibility conditions will vary.

PIN (personal identification number)
A confidential number which, for example, allows you to withdraw cash and use other services at a cash machine. A PIN is usually needed when you buy an item with a card in a shop. A PIN may also be sent to you to use in confirming your e-mail or home address.

Priority debts
A debt where failing to pay could lead to you losing one or more of the following:
- your home (for example, rent, mortgage, secured loans)
- your freedom (for example, council tax, child support maintenance, income tax, court fines);
- your utility supplies (for example, gas, electricity); or
- your essential goods or services (for example, a cooker, a fridge or the means to travel to work.

Revolving credit
An agreement where you can continue to receive cash, goods or services, up to an agreed credit limit, as long as you keep up repayments.

Security
A word used to describe a valuable asset such as property described in title deeds, shares, life policies and so on which are used as support for a loan. Under a secured loan, the lender has the right to sell the security (which may be your home) if the loan is not repaid. If the sale of the security does not raise enough money to repay the amount owed to the lender, you may still be liable to pay the difference.

Short-term loan
An agreement where you can borrow a small amount of money (usually between £50 and £800) and repay the loan over a short period (typically one or two months).

Statement of income and expenditure
A full review of your financial position in the event that you get into financial difficulties. This is normally completed with the help of a money adviser. It allows you to make repayments to a group of creditors from your available income. There are various formats used by money advisers. The most common is the Common Financial Statement format produced by the Money Advice Trust which has been agreed with the industry, but we may accept statements in other formats. Agreed 'trigger figures' will help us to accept payment offers quickly.

In March 2017 the Money and Pensions Service launched the Standard Financial Statement. It is expected that in due course this will replace most other formats of income and expenditure statement.

Store card
A card which you can use to buy goods on credit from a particular store or group of stores. They may include a range of payment options including (but not limited to) buy-now-pay-later and fixed-payment plans.

Writing, written
Includes writing in a digital medium, for example e-mail.

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4. HELPFUL INFORMATION

Copies of the FLA Lending Code
We will make copies of this Code available to you if you ask. You can also get copies from the FLA website.
CLICK HERE TO VIEW

Leaflets, rules and codes of practice referred to in the Code

Links to documents referred to in this section are listed in the order in which they appear in the Code, with the relevant reference shown.

The FLA's Business Finance Code (Introduction) – CLICK HERE TO VIEW

Help us to help you (1A.2) Leaflet – CLICK HERE TO VIEW

Consumer Credit (Advertisement) Regulations 2010 (1B.15) – CLICK HERE TO VIEW

UK Code of Non-broadcast Advertising and Direct & Promotional Marketing (CAP Code) (1B.15) – CLICK HERE TO VIEW

UK Code of broadcast advertising (BCAP) (1B.15) – CLICK HERE TO VIEW

Data Protection Act 2018 – CLICK HERE TO VIEW

Your credit decision explained (1D.2) – CLICK HERE TO VIEW

The Credit Services Association's Code (1E.5) – CLICK HERE TO VIEW

Standards of Lending Practice (1E.5) – CLICK HERE TO VIEW

Debt and Mental Health Evidence Form (1E.8) – CLICK HERE TO VIEW

Money Advice Liaison Group good practice guidelines on debt and mental health (1E.8) – CLICK HERE TO VIEW

Financial Ombudsman Service – explanatory leaflet (1F.9) – CLICK HERE TO VIEW

Lending Code Annual Report (1G.3) – CLICK HERE TO VIEW

Summary box (2C.5) – CLICK HERE TO VIEW

Pre-Action Protocol for Possession Claims (2E.6) – CLICK HERE TO VIEW

"View Driving Licence" access code (2G.3) – CLICK HERE TO VIEW

Guidance for Assessing Creditworthiness and Affordability (2G.2) – CLICK HERE TO VIEW

FLA Best Practice on Asset Registration (2G.4) – CLICK HERE TO VIEW

Guidance on Improving Customer Information at Point of Sale and during the Contract. (2G.5) – CLICK HERE TO VIEW

Guidance on Intermediary Oversight and broker oversight (2G.10) – CLICK HERE TO VIEW

FLA Vehicle Recovery & Collection Industry Standards (2G.12) – CLICK HERE TO VIEW

Financial Conduct Authority – ICOBS rules on selling general insurance (2I.2) – CLICK HERE TO VIEW

Information Commissioner's Office – CLICK HERE TO VIEW

Financial Conduct Authority Consumer Helpline - 0800 111 6768 (Freephone) or 0300 500 8082 from 8am to 6pm Monday to Friday (except public holidays) and 9am to 1pm Saturday. From abroad, you can call +44 20 7066 1000. You can also email CLICK HERE TO EMAIL

Free money advice
You can get the phone numbers for the free debt-counselling organisations that FLA members recognise from the following:

- Citizens Advice 03454 04 05 06. To find your local office – CLICK HERE TO VIEW
- National Debtline 0808 808 4000 (this call is free).
- StepChange 0800 138 1111 (this call is free).
- Money Advice Scotland 0141 572 0237.
- Advice4Debt Northern Ireland 0800 917 4607
- Advice UK 020 7469 5700.
- The Money Advice Service 0300 500 5000 or CLICK HERE TO VIEW
- The Trading Standards Department of your local council (also known as the Consumer Protection Department). CLICK HERE TO VIEW
- If you are a student, contact the Student Welfare Officer at your students' union.

Credit reference agencies
Credit reference agencies hold different types of information. You can get copies of the information held about you by writing to the following addresses. You can also order copies by going onto the credit reference agencies' websites. We will tell you which agency we use.

Equifax
Credit File Advice
Centre
PO Box 1140
Bradford
BD1 5US
CLICK HERE TO VIEW

TransUnion
Consumer Services
Team
PO Box 491
Leeds
LS3 1WZ
CLICK HERE TO VIEW

Experian
Customer Support
Centre
PO Box 8000
Nottingham
NG80 7WF
CLICK HERE TO VIEW

FLA leaflets
In addition to the leaflet entitled *Your credit decision explained* the FLA publishes other leaflets on, for example, how to repay your loan early and how to understand your credit decision. These are available free of charge
CLICK HERE TO VIEW

MORE INFORMATION
If you would like more information on the FLA Lending Code, or the Code Group, please visit:
CLICK HERE TO VIEW

or contact:

The Finance & Leasing Association
2nd Floor, Imperial House
8 Kean Street
London
WC2B 4AS

Tel: 020 7836 6511
Email: CLICK HERE TO EMAIL
Website: CLICK HERE TO VIEW

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